

Strategic Plan

Agency Overview

A. Mission Statement

The mission of the Department of General Administration is to help our customers succeed by being their essential operations partner.

GA is responsible for a variety of services that support the operations of other state agencies and enable them to focus on their core missions. With an average of 650 FTEs, we consider ourselves to be partners providing expertise in essential services that would otherwise need to be provided by the agencies themselves.

We successfully guide our customers through all operational processes while stretching their resources. We strive to always come through for our customers, which means we keep the promises we make, we keep them informed on our progress and we get the job done according to our promise. By doing our job well, we give our customers more time and resources to do theirs.

GA will be both responsive and responsible. Our strategic plan identifies two broad strategic goals for the agency: *Service* and *Stewardship*.

Our Service Goal is a **promise to our customers** to deliver highly valued services to state and local government and citizens. We will do this by:

- Delivering quality services at competitive prices meeting customer and stakeholder value expectations.
- Improving the consistency and availability of GA services each year.
- Increasing the average overall customer commitment to GA as our customers' service provider of choice.

Our Stewardship Goal is a **promise to the public** to protect, preserve and use state resources responsibly. We will do this by:

- Reducing state government's biennial costs by an additional \$20 million.
- Improving the use of state staff, technology and fiscal resources.
- Improving the physical and financial performance of both GA owned and non-GA facilities.
- Promoting state business practices that protect and sustain the state's environment.

Over 90% of our operating funding is dedicated to activities in these two goal areas.

This strategic plan is supported by nearly thirty detailed business and functional plans. Summaries of these are attached. Other related plans include affirmative action, IT portfolio, safety, sustainability, homeland security and emergency management, business equity and access, PSRA implementation and several others.

GA is committed to meaningful performance measurements and timeframes. We will develop indices around Value (including competitive prices, quality, reliability, and GA expertise) and Customer Experience (including consistency, availability, responsiveness, communications and convenience). The ultimate outcome from GA's plan will be a change in state government's behavior by improving efficiency and effectiveness in the delivery of services to the state's citizens.¹

1. A Balanced Scorecard view of this plan is at attachment 1

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Agency Description:

We are the landlord for about 5% of the state's owned facilities. Over 40% of our operating funding comes from rent. We provide mail service both on and off campus for 104 state agencies, operate a Central Stores warehouse for supplies purchased by 655 state and local agencies, provide real estate services for most of state government, administer the statewide Commute Trip Reduction program supporting 165 participating worksites, manage the State Motor Pool containing 11% of state owned passenger vehicles, negotiate and administer both purchasing and public works contracts for 750 public entities, administer an energy conservation program for state agencies and other public sector organizations that has already saved more than \$46 million worth of energy, and manage 425 construction projects per biennium for state agencies. With the exception of public works contracting and construction management, most other services are funded on a fee- for- service basis.

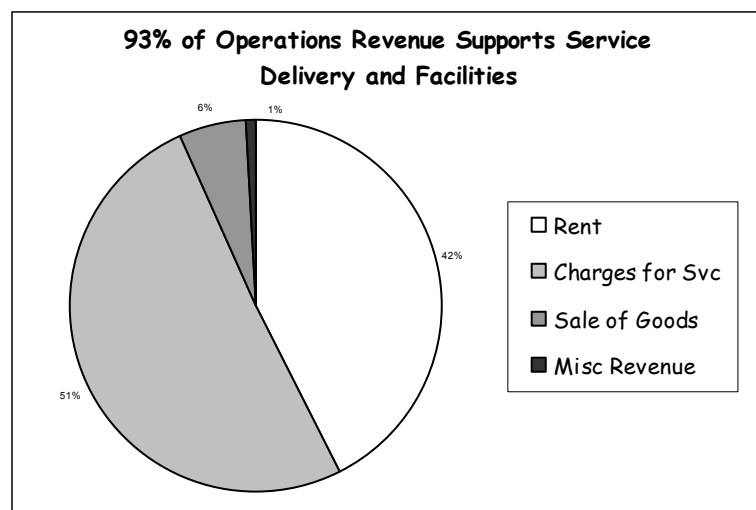
Many GA programs have significant statewide policy development and leadership roles in addition to their project and product-oriented services, such as Purchasing and Contract Administration, Materials Management and Central Stores, Engineering and Architectural Services, Real Estate Services, and State Surplus. In some cases, up to 30% of program staff efforts (and costs) are committed to this responsibility. All GA rates include these costs.

See Executive Summaries for more information on individual lines of business.

Agency Funding Structure

We operate with a total biennial budget of approximately \$252 million that is split almost 50-50 between operating and capital. Charts 1 and 2 provides a more detailed picture of our funding and how it is spent.

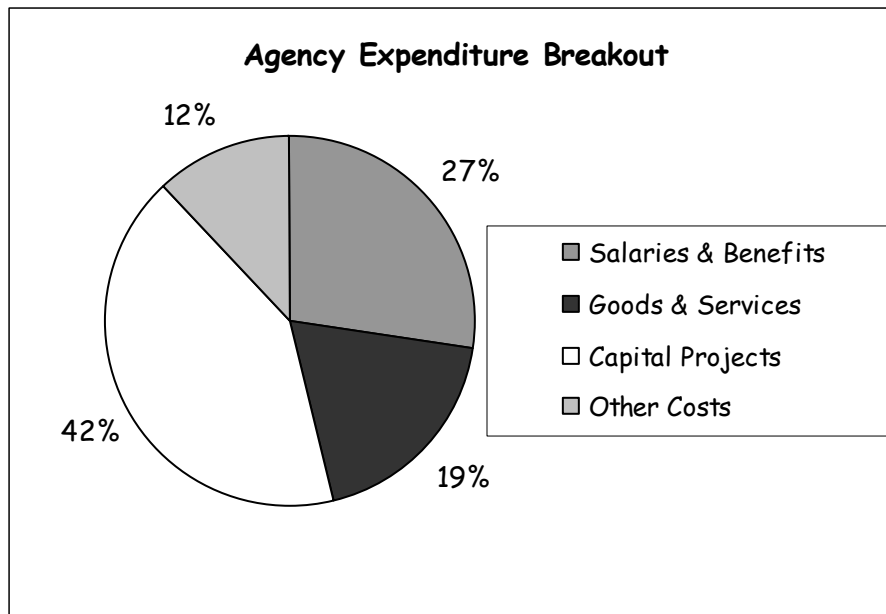
Chart 1



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Chart 2



- B Listing of Statutory References – See Addendum 1**
- C. Goals – See Section 1**
- D. Objectives – See Section 1**
- E. Strategies – See Section 1**

F. Appraisal of External Environment

Facility Planning

GA's external environment has become increasingly complex, especially in the area of facility planning. There is greater demand for better quality and more environmental friendly buildings. This prompted development of GA's new "high performance building" guidelines, which were incorporated into the Tumwater Office Building. However, the private sector has responded more quickly to these trends than has GA. As a result, many agencies have moved out of less expensive GA office buildings (such as the GA Building itself) and in to more expensive but higher performing, better quality leased facilities.

There is also continued emphasis on co-locating state agencies when planning new buildings or renovating existing buildings. Such efforts maximize the use of space and provide greater efficiencies through shared support services.

Advancing technology is driving needs for improved infrastructure in state agency facilities. An example of this is the request for wireless capacity in the Legislative Building and the growing demand for improved file server support areas.

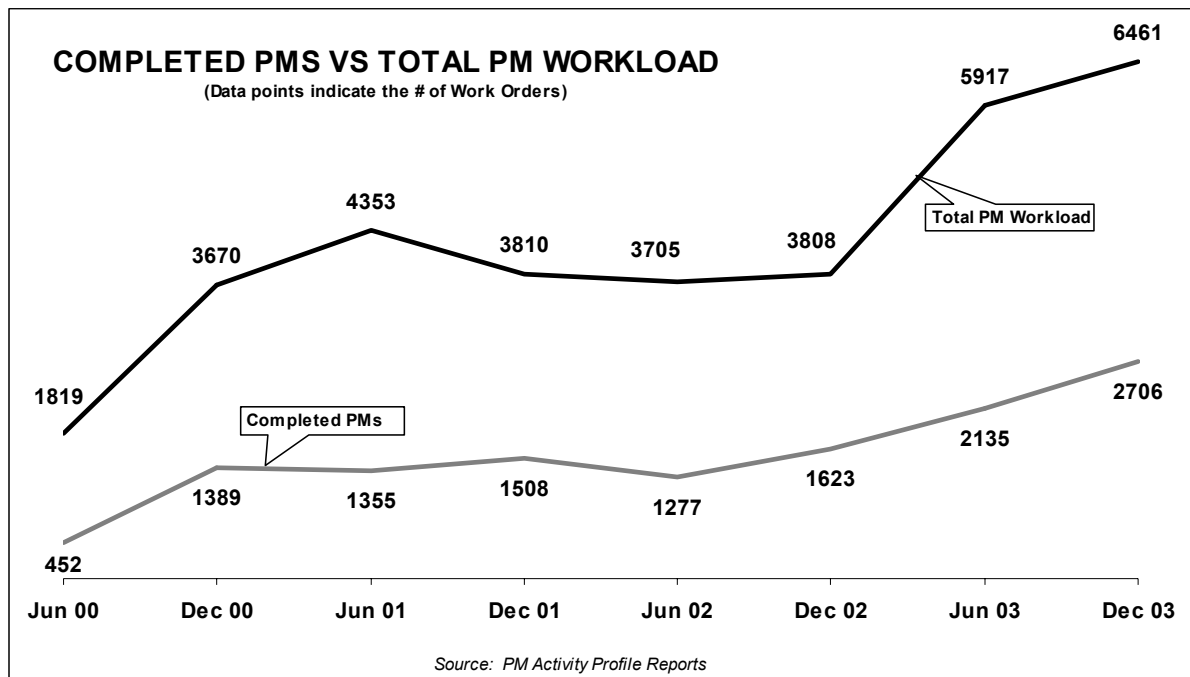
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Security has had an increasingly high profile over the past decade, and hastened by the events of September 11, 2001. Security has an impact on facility design as well as on the openness of government and continues to present new and expensive challenges.

After the Nisqually earthquake in 2001, GA established an entire infrastructure to support the repair work and track reimbursement from FEMA. This will continue through the current biennium and probably well into next biennium. Delays in FEMA reimbursement for critical earthquake repairs have obliged us to defer many of our preservation and major maintenance projects, causing GA to fall further behind in reinvestment over the past two biennia. (Other reductions in capital funds have also contributed to increasing levels of deferred maintenance in most of our buildings on the Capitol Campus. Chart 3 shows that we have not been able to narrow the gap between the preventative maintenance we should be doing and what our current level of funding makes possible.) .

Chart 3



Budget Constraints

With recent difficult economic conditions, GA's customers are competing for a shrinking pool of resources, which drives the demand for more cost effective service delivery and lower cost items. We continually strive to meet these demands. We have also introduced flexible billing methods to accommodate our customer's availability of funds and guarantee deliverables in exchange for timely payments

GA fully costs our indirect administrative support services, unlike most of our customer agencies. This helps ensure that GA keeps the cost as low as possible. Over the past several biennia, GA has maximized the effectiveness of support FTEs through process

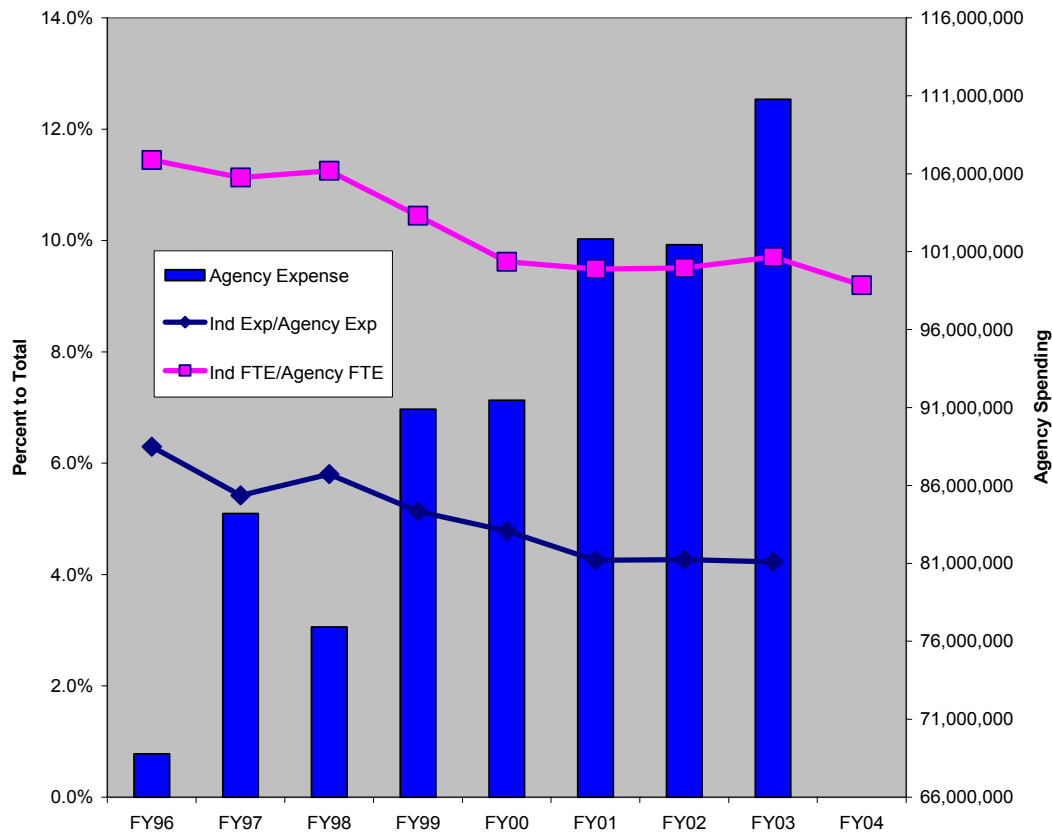
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streamlining, instead of adding staff when the workload increases. Chart 4 provides a comparison between agency and indirect resources.

Chart 4

Best Value: Labor & Cost Efficiency of Indirect Increases



The Priorities of Government process offers a higher degree of scrutiny at the activity level than in previous budget submittals. We must understand and explain the cost of activities and how they support the larger goals of the agency. Performance measures, also included in the budget, tell OFM and the Legislature how successful we have been in making this link.

Finally, budget constraints on customer agencies can actually increase GA's workload. For instance, when lawmakers made more capital money available for construction projects to help stimulate the economy, this increased project management workload for Engineering and Architectural Services. The same is true when agencies ask GA to take over operations support functions that they have historically done for themselves.

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Stewardship

GA willingly accepts its leadership responsibilities to help protect Washington's environment. We do this by promoting state business practices that save energy and water, help find and use environmentally preferred products and services, build facilities in environmentally sensitive ways, and manage toxic wastes responsibly.

We also have a strong fiduciary ethic around designing and caring for state buildings and grounds, especially those with historic significance. GA business plans make strong commitments to integrating life cycle cost considerations, universal access for persons with disabilities, maintainability, and environmental sustainability into facility management and investment decision making.

Diversity

Diversity is good business. Improving staff diversity to reflect the communities in which we serve strengthens service delivery. Improving supplier and contractor diversity helps maximize competition for state dollars by business.

Federal Requirements

Federal restrictions based on Circular A87 guidelines will not allow federal funds to pay for more than operating costs. This creates challenges in many of our programs, such as Motor Pool and Facility Planning, where large equipment replacement purchases, capital renewal, and debt service are an essential element of rate development. In the case of the Motor Pool, GA will have to rebate \$720000 in FY 05 because of alleged overcharges. Employment Security Department is unable to pay its full Capital Projects Surcharge because of these rules.

Changes within State Government

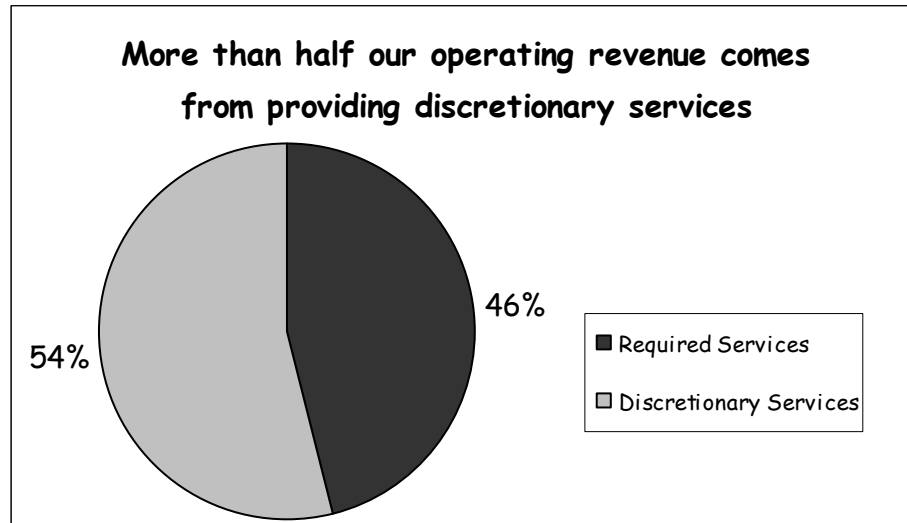
Competition

Many of GA's services are not mandated and can be obtained in the private sector, such as State Surplus, Central Stores, Consolidated Mail, or the Motor Pool. More than half our operating revenue comes from these discretionary services. We make frequent comparisons with private sector counterparts to ensure we are providing the same or better service for less, thus maximizing the use of our customer's dollar. We also do periodic customer surveys for all our lines of business to determine whether we are meeting our customers' expectations. While we continue to improve, we still fall short of a level of service that signifies consistent customer commitment to GA as its service provider of choice. Chart 5 compares revenue generated by discretionary v. non-discretionary services.

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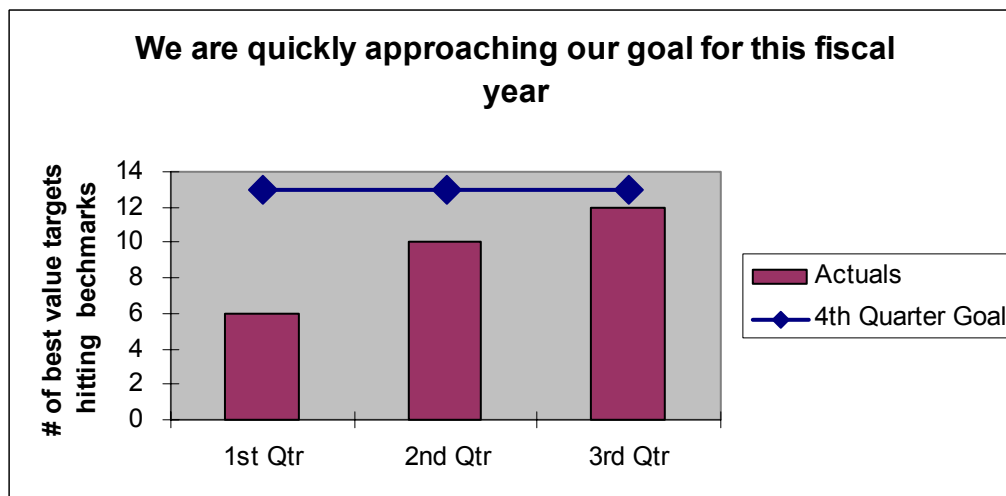
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Chart 5



We regularly measure ourselves against external benchmarks. This is an integral part of our promise to customers to provide quality services at competitive costs. Each business line within GA has established benchmarks and targets with private sector or governmental entities providing similar services. From these we establish best value targets to ensure we are keeping the cost of our services below what agencies would have to pay if they went elsewhere to get them. As you can see in Chart 6, we are edging closer toward our goal.

Chart 6



Looking ahead to FY05 and beyond, competitive contracting under the Personnel System Reform Act of 2002 will also become an issue for services that we have historically provided to state agencies. Internally, we are developing the training for GA staff to help them cost services, obtain core competencies required and successfully bid on contracts.

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Technology

Technology has accelerated change to policies and practices in all of our business lines. It affects what goods or services state agencies buy and how those services are delivered. In 05-11 we will continue to develop web-based procurement, contracting, and accountability tools. We will also upgrade several in-house computer systems, such as the Accounts Receivable system in the Financial Office.

For example, we will continue to expand our use of the Internet to communicate to suppliers, identify bid opportunities, distribute information to our customers, and to process business transactions. GA is developing WEBS (Washington's Electronic Business Solutions), a central government contracting infrastructure supporting vendor registration and public agency bidding. This will eventually support advanced contract management and procurement functions including online bidding, electronic bid evaluation and award.

G. Trends in customer characteristics

Changes in customer demographics

Slow Economy/Budget Constraints

As noted above, the downturn in the economy has created a paradox in some of our businesses. Budget constraints on customer agencies can actually increase GA's workload. For instance, in locations where the availability of office space is greater than demand, customers expect to get better quality space but continue to pay below market rates. Customers are also less willing to choose innovative solutions for space that may address high performance building guidelines when they also have higher initial cost. We can expect to generate less revenue for the buildings we own in those same areas.

A slow economy affects our business in other ways as well. Customers hang on to office furniture, computers etc. until the item has little or no resale value, which impacts the amount of revenue our State Surplus Property program can expect to generate on resale.

Developing better ways to reach customers and deliver services

Changing roles

GA is becoming a facilitator between our client agencies and those who provide goods and services to government. This is especially true in purchasing and plant operations. Many agencies, particularly smaller ones, are interested in purchasing services such as inventory management or IT management from vendors or larger agencies, rather than continuing to provide these services in-house.

Customer Expectations

GA's customers tell us they want five things from GA:

1. Consistency and responsiveness in the delivery and quality of services.
2. Good communications with them.
3. Strong working relationships with them and between GA programs on their behalf.
4. More help in meeting their needs through proactive marketing of GA specialized services.
5. Confidence that GA is efficient and provides competitive prices, keeping their costs as low as possible.

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GA must deal with each of these basic issues before it can expect to improve customer commitment.

Service Delivery Standards

Each program business plan will include customer and stakeholder service delivery standards, and we intend to centrally monitor how well our service corresponds to our standards. We are currently developing a centralized system to receive and manage customer complaints and comments.

Communication

Customers are getting more sophisticated and have higher expectations about using Internet-based systems to get information and conduct business. We are responding to this expectation through increased access to web-based applications where not only product and service information is available but where customers can initiate and complete transactions such as vehicle purchases, parking permits, disposal of surplus property, Capital Facilities work order requests and many others.

Integrated Branding

The goal of integrated branding is customer commitment that results from great service having high customer value. Many parts of this plan are being aligned around service and stewardship with an integrated branding strategy. This strategy includes development of brand tools, employee training, an implementation plan and careful attention to GA's web site and its logo. This initiative, started in early 2004 will continue through 2005.

H. Strategy & Capacity Assessment

Planned shifts in agency's operational, capital facility strategies driven by external change or customer expectations

Agency Reorganization

Within the last two years the agency has undergone a major reorganization that affected every division within the agency.

One critical aspect of the reorganization involved facilities management. We created geographic efficiencies and realigned resources to better address our responsibility as stewards of state assets. Our facility fiduciary responsibilities and tenant expectations for improving the quality of space on the state capitol campus also significantly drove these changes. We created an umbrella organization (the Division of Facility Planning and Management or DFPM) that would act as the landlord for GA-owned facilities, establish facility resource priorities and manage the properties.

We have redefined roles and responsibilities to ensure that those with skills in property management are doing that job and those skilled in building operations and maintenance are responsible for building management. We have enhanced our ability to operate cost effectively and keep lease rates below market. DFPM is organized along 3 lines of business (office facilities, parking management and seat of government) that are funded consistent with one of our primary operating principles:

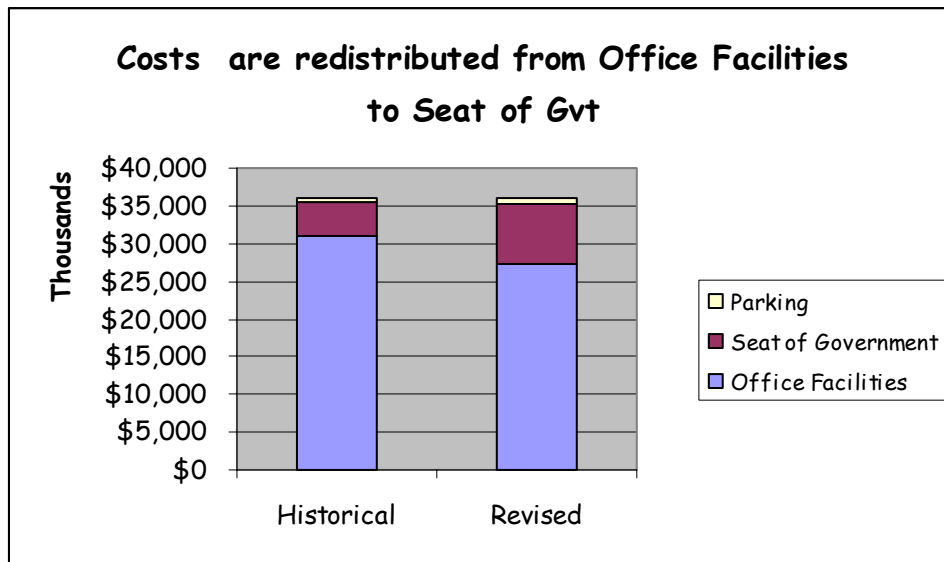
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To the extent possible, those who most benefit should pay for services:

Chart 7 shows how costs between these 3 activities have changed from their historic pattern to the current distribution based on where those cost are actually incurred.

Chart 7



Organizational and Job Competencies

GA is blessed with an incredible pool of technical experts – arguably the best in all of state government for an organization of its size. Even so, we recognize that there are deficiencies in the depth of skills, abilities, and behaviors in the areas of performance management, business management, customer service delivery, policy development and communications. The strategic and business plans address these deficit areas to improve service, become better stewards, and ensure consistency in GA’s service delivery. Specialized professional certifications will also be supported.

Performance-Based Culture

Inherent in achieving GA’s strategic goals and objectives is a performance management system supported by an agency-wide performance based culture. Execution will determine whether this plan makes a difference or not. Our success in doing this will give GA the strategic competitive advantage needed to deliver on its Service and Stewardship promises. Accountability for both service delivery and building and sustaining an employee talent pool will be critical success factors in executing this plan successfully.

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PSRA Implementation

GA has an open and determined approach to our responsibilities under PSRA. The challenge next biennium will be to successfully implement multiple complex elements of the legislation: HRMS, DOP's new personnel rules, a new collective bargaining agreement, and competitive contracting. Helping GA employees to realize all the potential of PSRA in excelling at their jobs will be a key strategy for agency management.

J. Financial Health

Trends in revenue sources, fund balances or cost pressures that affect the agency's financial sustainability

Funding Structure

GA manages funding for most of our operations in a consolidated fund (GA Administrative Services Acct). Within that fund each line of business is responsible for setting income margin and working capital targets consistent with the provisions of internal service funds, and for managing to those targets. We develop rates, revenue and expense strategies with these targets in mind. In addition we have a small federal grant from the US Dept of Agriculture that helps The Emergency Food Assistance Program and a small amount of general fund supporting the state's Barrier Free Facilities Program.

Revenue Trends

We are seeing increased spending in areas where customers perceive that an investment now will pay off with reduced costs in the future. Conversely, we expect revenue to decrease in areas where customers opt to focus on their own direct program services as opposed to doing business with us. For example, revenue in State Surplus, which relies on the resale of state property, will be less due to the reduced value of the property currently being surplus and the growing cost of disposing of unwanted computer equipment. By contrast, the Energy Program, which provides energy conservation services, is expected to see continued growth.

In addition, we expect to see reduced revenue over the next four years in programs such as Motor Pool where the daily rate will be significantly lower due to a change in the way we finance vehicle replacement.

Use of Debt/ Alternative Financing

Historically, the debt ratio in the consolidated fund has stayed at about 60% of assets. That may increase, as we look more at debt as an alternative financing mechanism. We have recently decided to finance vehicle replacement in Motor Pool through COPs. This is a ratio we continually monitor to ensure it stays within financially healthy limits.

To bring GA-owned facilities up to a service and performance level that will attract and retain tenants, we need to look initially at financing alternatives to rent revenue. Our plan is to increase rents slowly over time to take on more of the ownership burden of facility costs with tenant rents and move away from traditional capital sources for large renewal projects. We intend to move to a rent stream that will fully fund office facilities over the next several biennia. However, public areas, grounds and parks where tenant rents don't apply will always need an alternative funding source. Part of this approach is to migrate some

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facilities costs (such as planning and asset management) that have been historically funded in the capital budget to the operating budget. Finding the right mix of tenant and other alternative financing sources is one of our major challenges over the next several biennia.

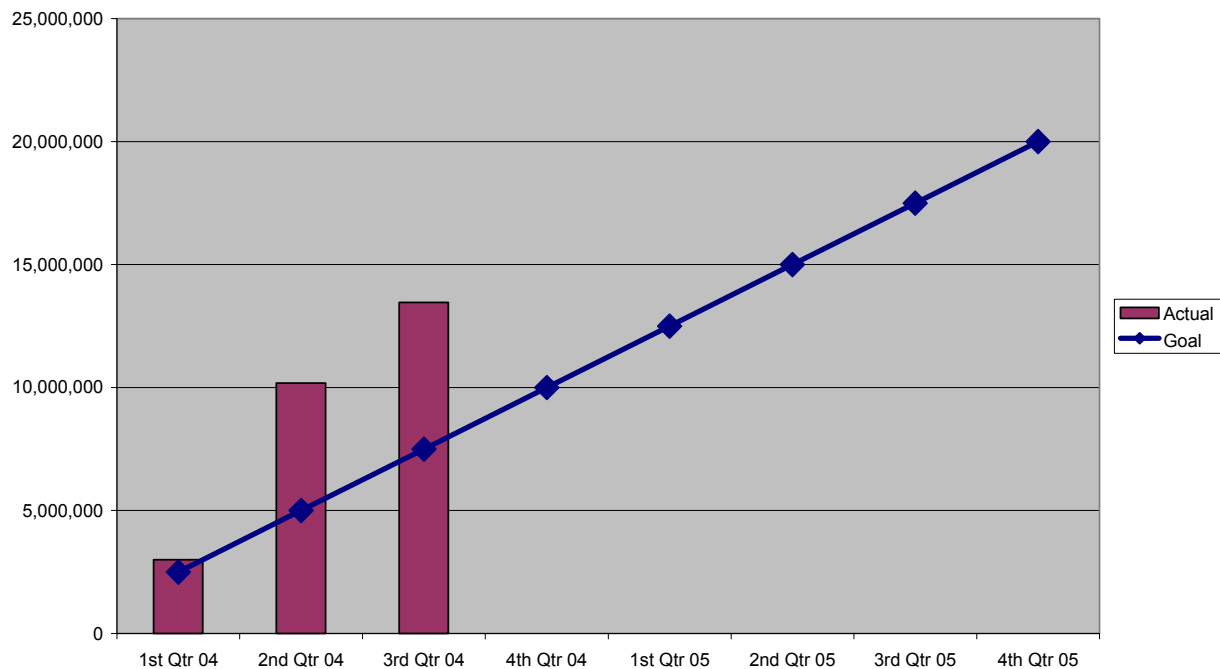
K. Cost Reduction Strategies

Cost reduction strategies implemented successfully over the last several years

At the agency level we have a goal to save state agencies \$20 million this biennium. We are well on our way to achieving that goal. At this point we have already exceeded our 1st year goal of \$10 million as seen in Chart 8

Chart 8

Reducing Cost of Government Dollars Saved



The Energy program partners with Avista to pass on to its customers incentive funds for energy saving projects. The Energy program has reduced the amount of the money it needs for administrative costs by \$100,000 this biennium. This will then be passed onto customers.

Describe new cost reduction strategies planned for the next 6 years

The Energy program is planning to make a 10% reduction in project management fees over the next 6 years. In addition, it will continue to take less Avista money for administrative costs resulting in \$250,000 more per biennium that will be passed through to customers for energy investments.

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State Procurement is planning to look at several initiatives that will save the state money over the next 6 years:

- ✓ Increase the percentage of purchases made on state-wide contracts
- ✓ Strategic delegation of purchasing authority to utilize the most cost effective method of establishing new contracts
- ✓ Consolidate agency consumable inventories thus reducing the states overall \$75 million inventory and the space required to store it

Capitol Facilities also plans to introduce custodial specialized cleaning approaches (OS1) to increase service levels, improve productivity, improve safety and reduce absenteeism without increasing cost

L. Discussion of activity links and major partners

Key initiatives involving other partners

Purchasing

Major agencies such as DOT, DOC/Correctional Industries, Ecology and WSU are partners as well as customers. GA's Office of State Procurement works closely with these agencies to determine cost drivers and constraints and develop interagency agreements that spell out roles, responsibilities and expectations. A trend that has emerged from this partnering activity is the desire on the part of these large agencies to split out major contracts to better reflect their individual buying patterns and produce better prices for the products they buy most frequently. Although this information can be very useful in developing new contracts, maintaining a centralized procurement model will become increasingly difficult.

Vendor training is increasingly important to increase competition, ensure the lowest possible contract prices, and improve supplier and contractor diversity. Over 3,000 vendors are expected to participate in or be trained by OSP in 13 events this year.

Distribution Networks

Where it is most cost effective to do so, programs within GA are looking to each other to supply needed services rather than building them within each program area. GA's Central Stores, Consolidated Mail and State Surplus programs now coordinate transportation of product to avoid all three programs running trucks to the same location at the same time.

Engineering & Architecture

EAS strives to maintain good relationships with customer agencies and private sector partners. Annually they conduct 2 client workshops to discuss project management issues and working relationships. EAS also co-chairs the Association of General Contractors (AGC) State Facilities Committee. This is an excellent forum to introduce improvements in public works processes and find ways to improve working relationships.

GA Administration

GA and twelve other state agencies have worked closely with the Governor's Office and OFM to establish benchmarks for the human resources and financial office functions. These

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benchmarks will establish a baseline now under our current system and will be compared to the same activities after the new HRMS is implemented.

Linkage with specific activities

See Section 3 - Executive Summaries